

Message Text

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ACTION NEA-09

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

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COME-00 FRB-01 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 L-02 H-01 AGR-05 ABF-01 /076 W

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R 041055Z JAN 75

FM AMEMBASSY TUNIS

TO SECSTATE WASHDC 7854

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E.O. 11652: GDS

TAGS: OVIP, EFIN, EAID, OPIC

SUBJ: MEETING WITH MINISTER AYARI: TUNISIAN

GOVERNMENT AGREES TO ESTABLISHMENT OF

AMERICAN BANK IN TUNISIA

1. SUMMARY: MINISTER OF PLANNING AYARI DISCUSSED UPCOMING
VISIT TO U.S. WITH AMBASSADOR AND AID MISSION CHIEF. HE
INDICATED HIS PARTY WILL INCLUDE, AMONG OTHERS, FOUR BANKERS.
AYARI REVEALED GOT HAS DECIDED TO PERMIT AMERICAN BANK
TO OPEN UP IN TUNISIA, AS STIMULUS TO U.S. INVESTMENT.
HE WOULD OFFER CHASE MANHATTAN BANK THIS PRIVILEGE. END
SUMMARY.

2. ON JANUARY 3 AMBASSADOR MET WITH MINISTER OF PLANNING
AYARI, IN COMPANY OF USAID MISSION DIRECTOR JAMES, TO
DISCUSS VARIOUS ASPECTS AYARI'S UPCOMING VISIT TO U.S.
FOLLOWING ARE HIGHLIGHTS OF DISCUSSION.

3. MAKEUP OF DELEGATION. AYARI SAID THAT HE WOULD
BE ACCOMPANIED BY FOLLOWING PERSONS:
RACHID BEN YEDDER, PRESIDENT DIRECTOR GENERAL, CREDIT
FONCIER: ABDESSALEM BEN AYED, PRESIDENT DIRECTOR GENERAL,
UNION BANCAIR POUR LE COMMERCE ET L'INDUSTRIE (UBCI):
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HABIB GHENIM, PRESIDENT DIRECTOR GENERAL, SOCIETE TUNISIENNE

DE BANQUE (STB): MOKHTAR FAKHFAKH, DIRECTOR GENERAL ADJOINT,
BANQUE DE DEVELOPPEMTN ECONOMIQUE DE TUNISIE (BDET):
REPRESENTATIVE TEXTILE INDUSTRY: TWO MEMBERS OF THE MINISTRY
OF PLAN, POSSIBLY HADJERI WAHID AND CHEF DE CABINET:
KHALED CHAABOUNI, DIRECTOR GENERAL, AGENCIE DE PROMOTION
DES INVESTISSEMENTS: MOHAMED GHEDIRA, SECRETARY OF STATE
FOR AGRICULTURE: MAHMOUD TRIKI, PRESIDENT DIRECTOR GENERAL,
TUNIS AFRIQUE PRESS (TAP). AMONG OFFICIALS IN
WASHINTON WHOM AYARI SAID HE UNDERSTOOD HE WOULD BE SEEING
ARE UNDERSECRETARY SISCO AND AID ADMINSTRATIOR PARKER.
AYARI CONSIDERS IMPORTANT OBJECTIVE OF VISIT IS BRINGING
TOGETHER TUNISIAN AND U.S. BANKERS IN "FAMILIARIZATION
PROCESS". (THAT IS REASON FOR LARGE NUMBER OF BANKERS ON
HIS DELEGATION.) I SAID I ASSUMED THAT HE WOULD ALSO
BE SEEING KEY AMERICAN BUSINESSMEN WITH POTENTIAL TUNISIAN
INVESTMENT INTERESTS. AYARI REPLIED THAT THIS WOULD
INDEED BE THE CASE, IN TANDEM WITH HIS MEETINGS WITH THE
BANKERS. AYARI SAID HE
PLANS TO LEAVE WITH AMERICAN BANKERS AND BUSINESSMENT
SURVEY REPORTS AND POSSIBLE PROJECT LISTINGS FOR THEIR
ATTENTION.

4. AMERICAN BANK IN TUNISIA. AYARI SAID THAT AT LAST
COUNCIL OF MINISTERS MEETING HE HAD PRESENTED "DOSSIER
OF U.S.-TUNISIAN RELATIONS" FOR PURPOSE OF ARGUING CASE
FOR ESTABLISHMENT OF AMERICAN BANK IN TUNISIA. COUNCIL
OF MINISTERS HAD APPROVED HIS SUGGESTION UNDER FOLLOWING
TERMS: (1) WHILE AMERICAN BANK COULD HOLD DEPOSITS, IT
MUST ALSO ENGAGE IN INVESTMENT ACTIVITIES IN TUNISIA,
PROVIDED MONEY IS BROUGHT IN FROM OUTSIDE FOR THIS PURPOSE:
(2) BANK COULD BE CONSIDERED "NON-RESIDENT" IN SENSE THAT IT
WOULD NOT RPT NOT BE BOUND BY TUNISIAN REGULATIONS, BUT
RATHER WOULD ENJOY PRIVILEGES SIMILAR TO THOSE OF 1972
INVESTMENT PROMOTION CODE: (3) BANK WOULD NOT BE PERMITTED
TO HOLD U.S. TREASURY-OWNED LOCAL CURRENCIES CURRENTLY ON
DEPOSIT IN VARIOUS TUNISIAN BANKS. IN RESPONSE TO AMBASSADOR'S
QUESTION, AYARI SAID THAT GOT HAD DECIDED TO FAVOR CHASE
MANHATTAN BANK AS BEING "MOST EXPERIENCED" IN MIDDLE EAST.
HE DID NOT FORECLOSE POSSIBILITY OF EVENTUAL ENTRY OF SECON
AMERICAN BANK. HE SAID AMERICAN BANK IS TO WORK CLOSELY
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NOT ONLY THE TUNISIAN GOVERNMENT BUT ALSO WITH ARAB
BANKING INTERESTS AND HE BELIEVED THAT CHASE MANHATTAN HAD
A PARTICULAR ADVANTAGE IN BEING ACCEPTABLE TO BOTH THE ARABS
AND TO THE TUNISIANS. I CONGRATULATED AYARI ON THIS DEVELOP-
MENT, NOTING THAT IT COULD SERVE AS AN IMPETUS TO INCREASED
AMERICAN INVESTMENT IN TUNISIA. AYARI SAID HE WOULD INFORM
DAVID ROCKEFELLER OF GOT'S DECISION WHEN HE SEES HIM IN NEW
YORK. (REQUEST DEPT KEEP THIS INFO CONFIDENTIAL UNTIL HE

HAS OPPORTUNITY TO DO SO.) AYARI EXPRESSED HOPE THAT CHASE, GIVEN ITS CONNECTIONS IN PURSIAN GULF, COULD FACILITATE TRIANGULAR INVESTMENT VENTURES IN TUNISIA.

5. U.S.-OWNED TUNISIAN DINARS. READING FROM PREPARED DOCUMENT, AYARI NOTED THAT SOME NINE MILLION DINARS OF LOCAL CURRENCY GENERATED BY PAST U.S. ECONOMIC ASSISTANCE PROGRAMS ARE ON DEPOSIT IN TUNISIAN BANKS AUGMENTED BY THREE MILLION DINARS IN ANNUAL INTEREST INCOME AND PRINCIPAL REPAYMENTS. HE SAID THAT GOT WOULD LIKE TO DISCUSS WITH US WAYS OF USING THIS MONEY, INCLUDING IN PARTICULAR: DEPOSITS IN GOT TREASURY, LOANS TO TUNISIAN BANKS, ASSISTANCE IN SOCIAL INVESTMENT (HOUSING), AGRICULTURAL CREDIT AND PROJECTED DEVELOPMENT OF THE HOSPITAL AT MONASTIR. I POINTED OUT TO AYARI THAT THESE FUNDS ARE FOR U.S. USE AND THAT U.S. AGENCIES IN WASHINGTON OBTAIN DOLLAR APPROPRIATIONS AUTHORIZING THEIR EXPENDITURE. I DESCRIBED PROCESS IN WASHINGTON UNDER WHICH CLAIMANTS DIVIDE UP THE "KITTY" WHICH BECOMES ANNUALLY AVAILABLE. I NOTED THAT THESE PROGRAMS ARE BENEFITTING TUNISIA AND THAT WE HAVE BEEN DISCUSSING WITH DCI AT THE FOREIGN MINISTRY A STANDARD MODEL AGREEMENT COVERING ALL PROGRAMS. WE WERE CONSTANTLY LOOKING FOR WAYS OF IMPROVING THESE ACTIVITIES AND OF ASSURING THAT THEY EFFECTIVELY CONTRIBUTE TO TUNISIA'S ECONOMIC DEVELOPMENT AS WELL AS BENEFIT US GRANTEES. I NOTED

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THAT THERE ARE OTHER LOCAL CURRENCY FUNDS, HOWEVER, AVAILABLE TO GOT. JAMES DESCRIBED THEM AS FOLLOWS: (1) THERE EXISTS A REVOLVING ACCOUNT AT BNT FOR AGRICULTURAL CREDIT TO SMALL FARMERS AVAILABLE IN SMALL TRANCES AS REQUESTED; AND (2) THERE IS LOCAL CURRENCY GENERATED UNDER RECENT COMMODITY IMPORT LOAN (H-050), PART OF THE PROCEEDS OF WHICH COULD BE USED TO AUGMENT AGRICULTURE CREDIT AS AGREED UPON BY THE RESPONSIBLE GOT OFFICIALS (AGRICULTURE AND PLAN) AND USAID STAFF. IT WAS NOTED THAT EMBASSY AND USAID IN FY-76 FBS HAD RECOMMENDED TO WASHINGTON EARMARKING OF SUCH FUNDS TOHELP WITH DEVELOPMENT OF HOUSING FOR THE VERY POOR.

6. U.S. AID PROGRAM. AYARI ASKED FOR UPDATING ON OUR ECONOMIC ASSISTANCE PROGRAM IN ANTICIPATION OF HIS TALKS WITH AID OFFICIALS IN WASHINGTON. JAMES REVIEWED CURRENT PROGRAM, EMPHASIZING CURRENT EMPHASIS ON RURAL DEVELOPMENT. HE REFERRED TO RECENTLY COMPLETED DAP OUTLINE SENT TO WASHINGTON WHICH HAD OFFERED AN OPPORTUNITY FOR PROGRAM DISCUSSIONS WITH APPROPRIATE MINISTERIAL OFFICIALS, INCLUDING MINISTRY OF PLAN. HE SAID THAT MISSION WOULD BE LOOKING FOR NEW APPROACHES IN LIGHT OF TUNISIA'S IMPROVED ECONOMIC SITUATION. HE SAID INTER ALIA THAT CONSIDERATION IS BEING GIVEN TO EXPANDING CHENCHOU PROJECT THROUGH LOAN, AS PART OF RURAL DEVELOPMENT PROJECT IN THE SOUTH. JAMES CONFIDENTIAL

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STRESSED NEED FOR IMPROVED PREVENTIVE MEDICAL CARE IN TUNISIA AND INDICATED POSSIBLE AVAILABILITY OF AID PUBLIC HEALTH ASSISTANCE AT SFAX HOSPITAL. AYARI WELCOMED EMPHASIS ON RURAL DEVELOPMENT AND SAID THAT IT CORRESPONDED WITH TUNISIAN DEVELOPMENT PLANS FOR THE FUTURE. IN RESPONSE TO AYARI'S QUESTION RE RESUMPTION OF TITLE I ASSISTANCE, HE WAS TOLD THAT NO SUCH ASSISTANCE IS AVAILABLE DURING FISCAL 1975. SUCH TYPE ASSISTANCE IN FY-1976 WILL DEPEND ON BOTH AVAILABILITIES AND PRIORITIES. TUNISIA'S IMPROVED ECONOMIC AND FINANCIAL SUTIATION GIVES IT A LOW PRIORITY IN THIS AREA. HOWEVER, I NOTED THAT SHOULD THE ECONOMIC SITUATION HERE TAKE A TURN FOR THE WORSE, USG WOULD OF COURSE BE PREPARED TO RECONSIDER TUNISIA'S CURRENT LOW PRIORITY FOR TITLE I ASSISTANCE.

7. BOURGUIBA HOSPITAL PROJECT. MENTIONING AMERICAN HOSPITAL PROJECT DESIRED BY PRESIDENT BOURGUIBA, AYARI EXPRESSED VIEW THAT GOT CANNOT FUND THIS PROJECT. I NOTED THAT PROJECT HOPE TEAM, WHICH HAD SPENT SEVERAL WEEKS HERE, HAD RETURNED TO U.S. IT IS IN PROCESS OF PREPARING FEASIBILITY STUDY. THIS STUDY, HOWEVER, WOULD NOT ADDRESS MATTER OF SOURCE OF FUNDING. IT SEEMS CLEAR THAT CONSTRUCTION COSTS WOULD HAVE TO BE FINANCED BY TUNISIAN

SIDE. ANY AMERICAN INPUT, PRIVATE OR OTHERWISE, WOULD PROBABLY BE LIMITED TO MEDICAL STAFFING AND ASSISTANCE IN FINANCING EQUIPMENT. AYARI MADE NO FURTHER COMMENT.

8. COMMENT: COUNCIL OF MINISTERS' DECISION TO ALLOW ESTABLISHMENT OF AMERICAN BANK IN TUNISIA IS SIGNIFICANT. IN COURSE OF LAST COUPLE OF YEARS I HAVE BEEN HAMMERING AWAY AT IMPORTANCE THIS WOULD HAVE IN ATTRACTING AMERICAN BUSINESS INVESTMENT INTO TUNISIA. RAISED SUBJECT WITH PRIME MINISTER YEAR AND HALF AGO AND HAVE DISCUSSED MATTER SEVERAL TIMES WITH AYARI, AS WELL AS WITH OTHER MINISTERS. WHEN IT BECAME CLEAR THAT A PRINCIPAL TUNISIAN OBJECTIVE WAS FEAR THAT U.S. TREASURY-OWNED DINARS ON DEPOSIT IN TUNISIAN BANKS WOULD BE SOPPED UP BY AN AMERICAN BANK, I HAD EXPRESSED VIEW TO AYARI THAT TRANSFER OF THESE FUNDS WOULD NOT RPT NOT NECESSARILY INTEREST AMERICAN BANKS AND THAT IN ANY CASE TUNISIANS COULD MAKE NON-TRANSFER CONDITIONS. IF GOT DECISION WOULD CONFIDENTIAL

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NOT PERMIT CHASE ENGAGE IN DOMESTIC COMMERCIAL BANKING, WE BELIEVE THIS WOULD MAKE IT LESS ATTRACTIVE TO CHASE, WHICH HAD BEEN CONTEMPLATING MINORITY PARTICIPATION IN LOCAL COMMERCIAL BANK. IN ANY CASE, TIMING OF THIS TUNISIAN DECISION BEFORE AYARI VISIT TO U.S. AND IN ADVANCE OF DAVID ROCKEFELLER'S VISIT TO TUNISIA LATER THIS MONTH IS AUSPICIOUS.

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